

Building a new economy

Auckland 2014

Natalie Nicholles
Associate Director
nef consulting (new economics foundation)



@nefconsulting

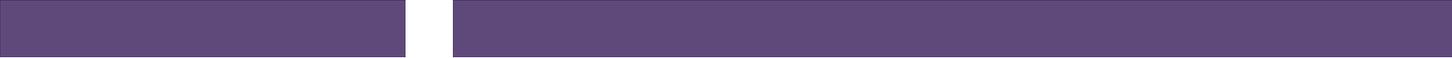
nef (new economics foundation)



- Founded in 1986; UK's largest independent think and do tank
- Inspired by 3 principles:
 - Sustainable development
 - Social justice
 - People's well-being

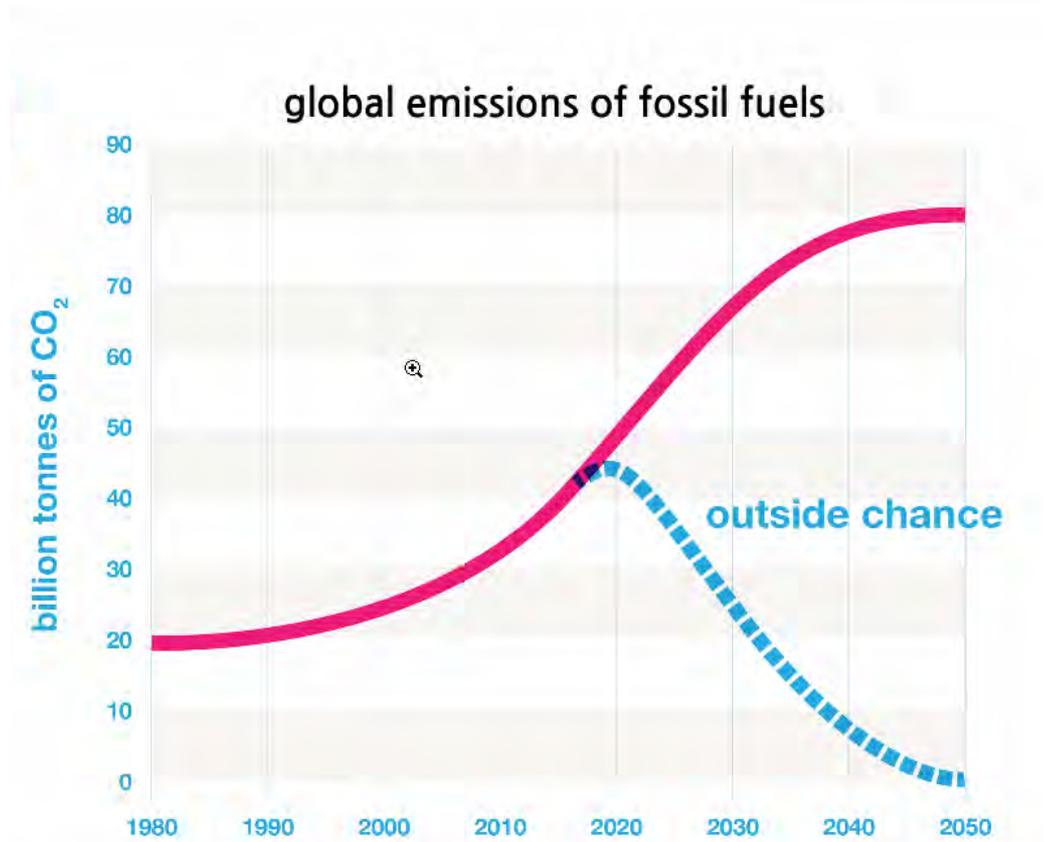
...and a belief that metrics can create positive change.

- Social enterprise founded and owned by **nef** in 2008 to help organisations put its ideas into practice.
- We **prove** and **improve** true **social, economic and environmental impact** → put people and the planet at the heart of **decision-making**.
- **Experts** in transition towards a new economy.

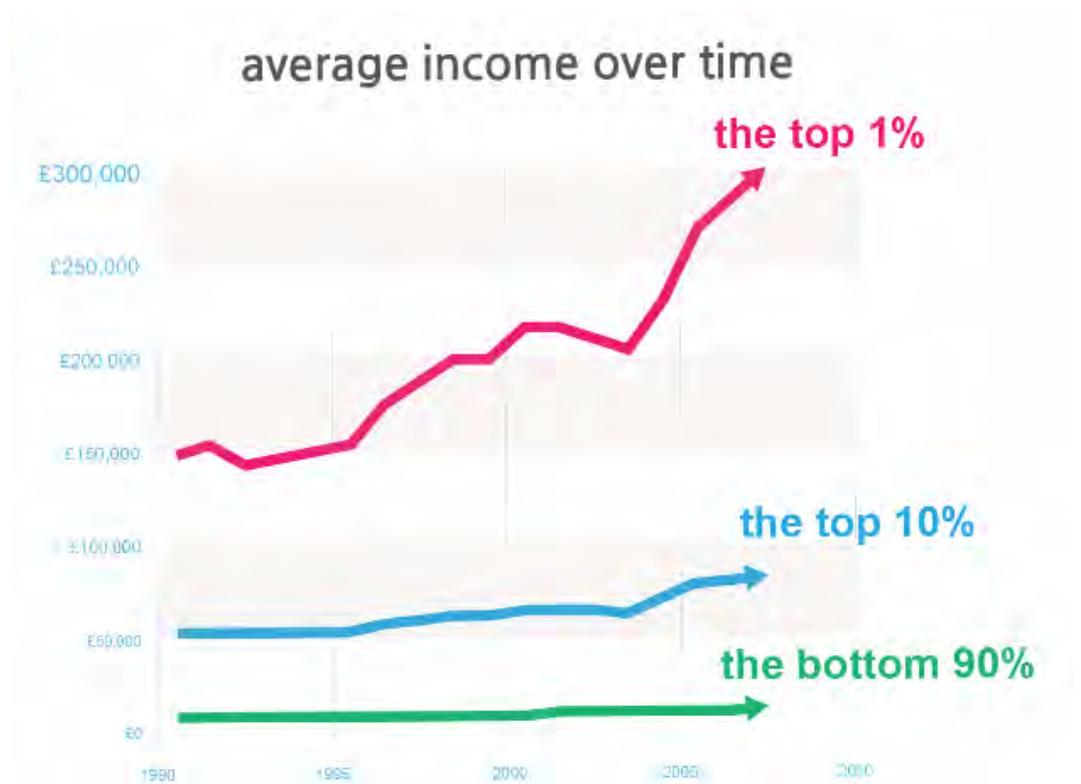


Global context – why do we need a new economy?

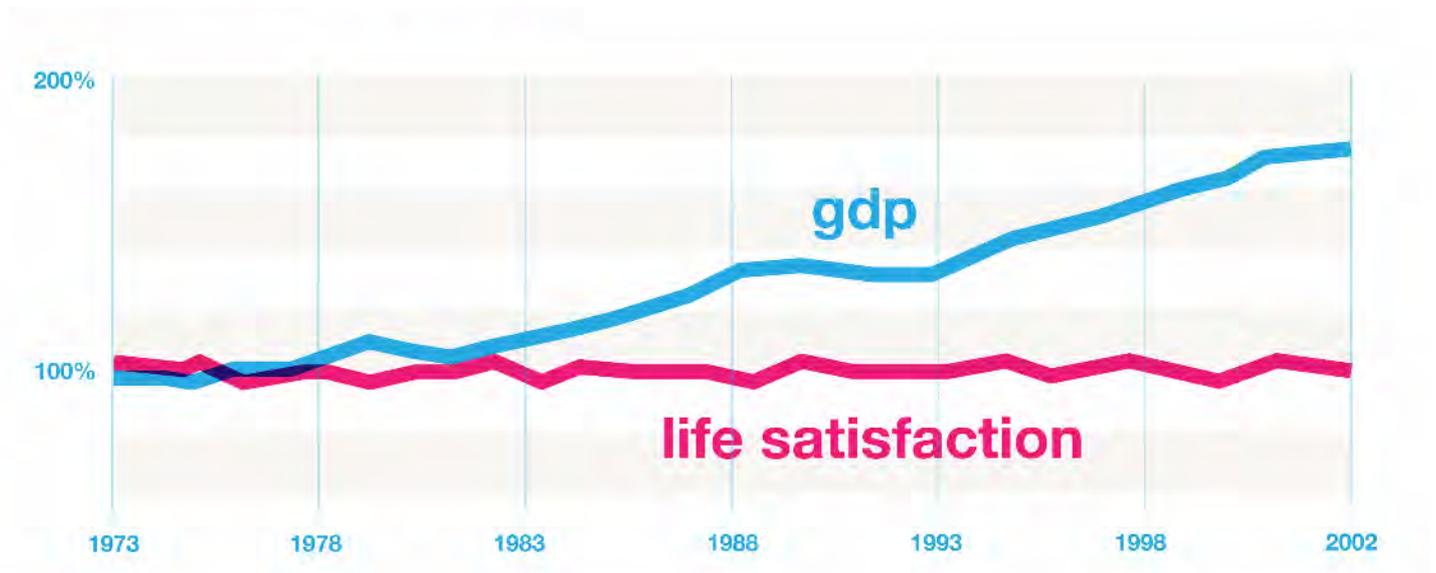
Environmental issues



Economic issues

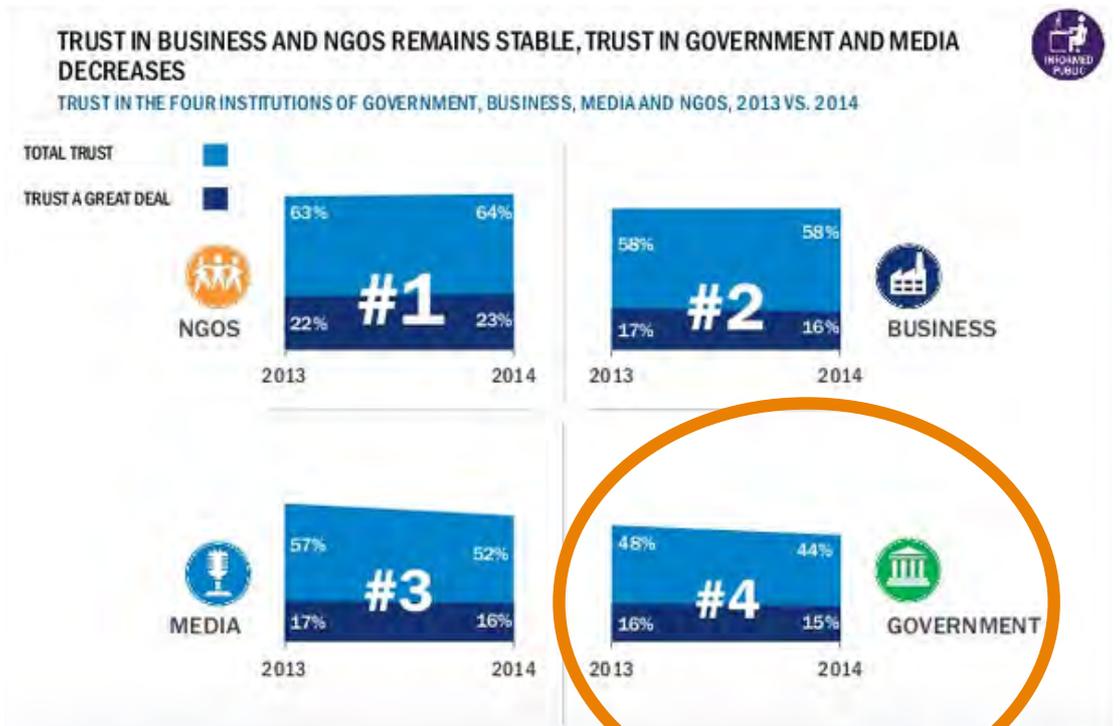


Social issues



Government challenges

- Increasing demand / reducing resources
- Low trust

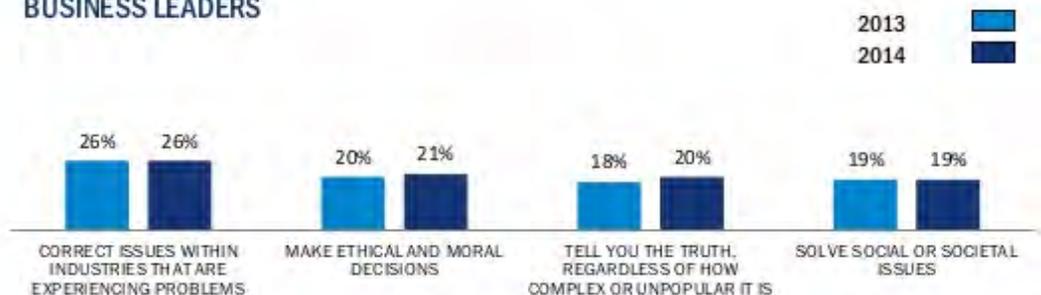


Business challenges

Historically low trust in corporations.

- WEF Survey of 130,000 Business People 2009
 - 2/3 Crisis of values as well as economy
 - 2/3 Practice different values at work vs. at home
- EIU Business Leaders Attitudes 2012
 - 76% believe a company should be measured by more than just profit, particularly contribution to society
- Edelman Trust Barometer 2014

BUSINESS LEADERS



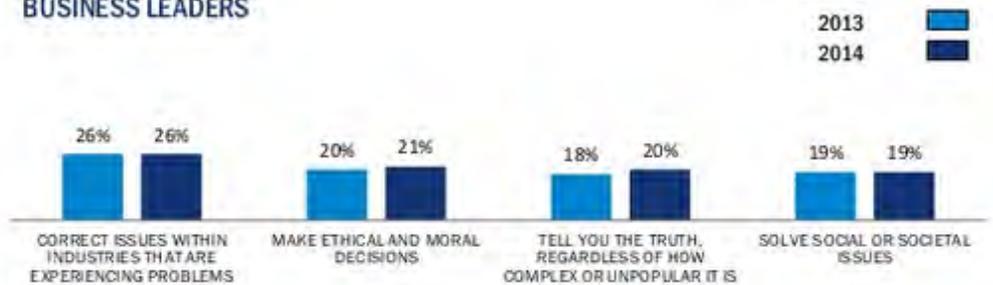
Therefore no trust in...

...business or government leaders...

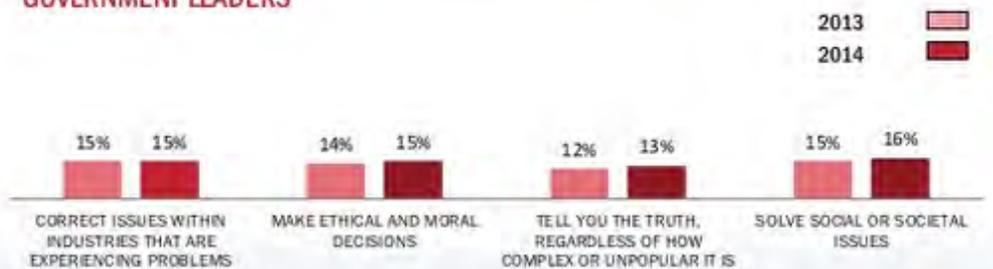
THERE IS VERY LITTLE TRUST IN EITHER BUSINESS LEADERS OR THEIR GOVERNMENT COUNTERPARTS ON KEY METRICS

TRUST IN BUSINESS AND GOVERNMENT LEADERS TO DO THE FOLLOWING

BUSINESS LEADERS



GOVERNMENT LEADERS



4 'Us' of our economy

1. Unfair
2. Unstable
3. Unhappy
4. Unsustainable

Efficient vs. Resilient
Growth vs. Resources

New economics

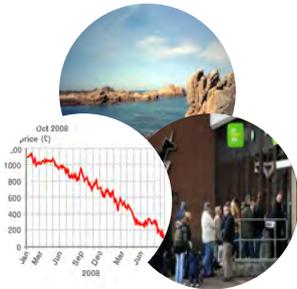
Surely there must be a better way of organising our economic system to have a positive impact on people and planet?



@nefconsulting

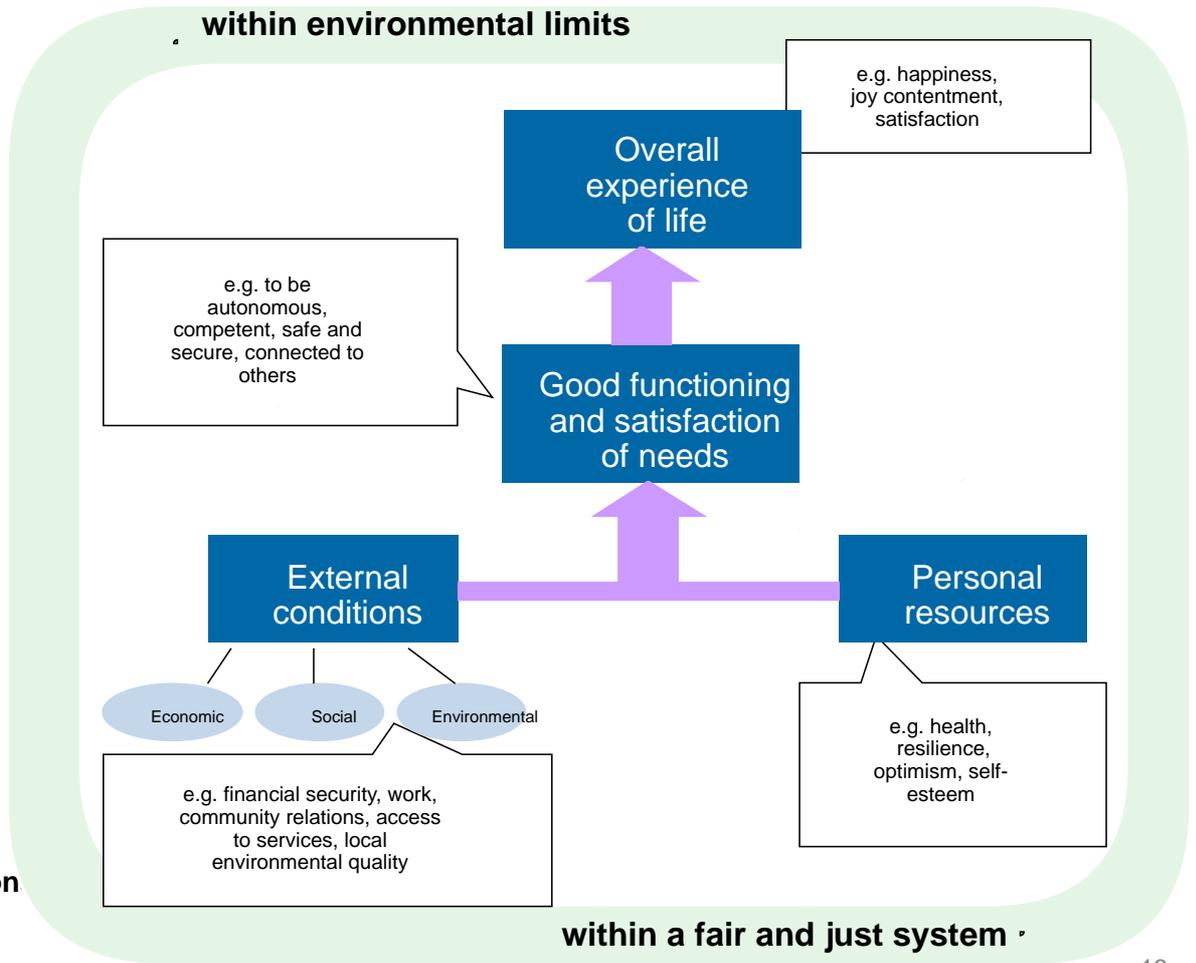
YES...but we need a new way of thinking

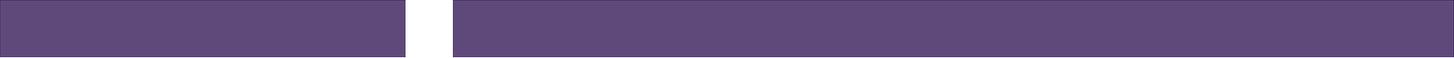
What is new economics?



- Field of thinking which **recognises the inter-dependence of economy, society and environment**: broader understanding of value;
- **Privileges** indicators such as **well-being**, as a measure of progress;
- Focused on human **'needs'**, not **'wants'**
- Recognises **planetary limits**;
- Focuses on the **common good**;
- Looks to the **systemic causes of harm**, and promotes policies that will shift spending upstream to prevent harm.

The world we want





How can we create a new economy?

Recognising we're not alone



@nefconsulting

nef
consulting

Other people are questioning our economic system:

- UK Government Office for National Statistics Measure of National Well-being [*nef*]
 - France Commission on the Measurement of Economic Performance and Social Progress [*Stiglitz, Sen*]
 - OECD Better Life Initiative
 - New Zealand Improving Living Standards framework
 - World Economic Forum New Social Covenant
 - B Lab and Benefit Corporations
- ...people are saying that we need a major change.

Learning from history

Has a change in economic system ever happened before?

2 major socio-economics shifts – learn from the process:

- Move to **Keynesian economics** from 1930s, post WWII. Aim of economy = level of stability and employment. Prioritised collective choice and role of the State.
- Move to **Neo-liberal economics** late 1970s/1980s. Aim of economy = keep inflation under control and release capital for investment. Prioritised individual choices and role of the market (private sector).

Learning from history

- Neither shift occurred through ‘revolutions’ – happened through political and policy change.
- Took more than a decade to take root.
- The moment they became real was borne out of crisis (WWII & oil crisis).
- Shift in values in both cases: collective for common good and individualism for common good.

What can we learn that’s relevant now?

Understanding pairs of change

Have to discredit the old system e.g. global financial crisis in 2008, rising inequality.

Champion a clear vision of the alternative e.g. high well-being, good jobs, stable industries.

Weaken the power bases e.g. Keynes regulated financial sector / Neo-liberal reduced power of trade unions

Build new power bases e.g. Keynes built trade unions in US / Neo-liberal deregulated financial system

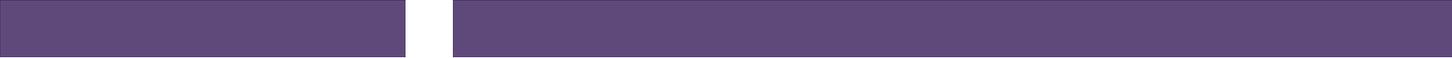
Invest in framing the narrative and principles



Find **common narrative** that speaks to ordinary people i.e. I can see that my family and community would be better off.

Find **fundamental core principles** that everyone identifies with → what are New Zealand's?

Invest in frames – these are already in our head e.g. big guys and little guys, everyone paying taxes, treading water (stagnant well-being) etc.



What are NEF working on?



@nefconsulting

New Economics Organisers Network (NEON)

Scale of task is daunting – only 60 people!
Know civil society works in silos → feel powerless at the size of the task → tries to make individual changes but these operate **within the existing system**.

Need to align civil society around the economy we want, and the principles upon which we want to have it.

Need to convene people, give them infrastructure and rebuild power bases.

NEON invited people who were motivated for change in different organisations → we create space and infrastructure to let people know they're not alone. Access to learning, leadership etc.

Developing our (growing) narrative

- **Democratising money:** over 90% money in UK is made by private banks for investments that do not work towards common good. Need to give guidance on where money should be invested e.g. climate change, affordable housing, ageing population.
- **Democratising ownership:** poor decision-making, perverse incentives and negative externalities result from a lack of stakeholder presence in business. Need stakeholder-owned businesses and diversity e.g. mutuals, cooperatives, partnerships.
- **New Social Covenant:** create an economy based on (1) dignity of the person (2) common good transcends individual interest (3) long-term stewardship of the planet.

Developing our (growing) narrative

Business in the new economy has a different:

- Purpose → exist for common good
- Structure → stakeholders
- Incentives → for common good
- Measurement systems → progress
- Financing → social & environment impact

A new social settlement: what does the welfare State of the 21st century look like? Relationship of state with citizens? What is the safety net?

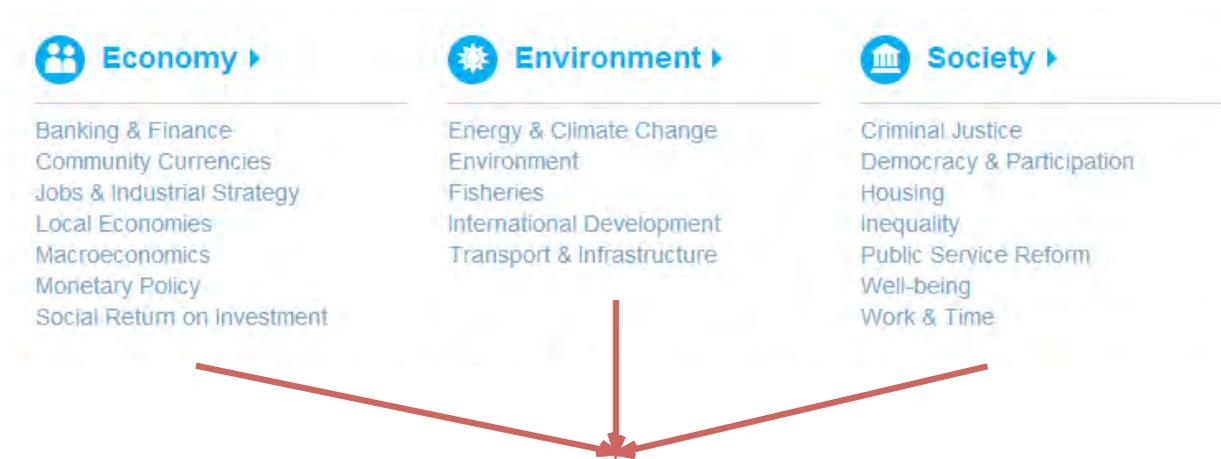
Common ownership of natural resources: how do we protect, nurture ecosystems?

Inequality and labour markets: what would a Ministry for Labour look like? How do we create 'good' jobs in our economies? Shorter working weeks.

New local economies within planetary limits: how support local innovation and build local economies?

Measure what matters: well-being, social value.

How it fits



Creating space to innovate

"The biggest barrier is the mindset of reimagining your business. Companies tend to concentrate on optimising the current business model with incremental improvements."

Sir Ian Cheshire Kingfisher Chief Executive, Davos 2014

"Transforming the economic system will require more than a repetition of good examples...it will require mobilising the creative energies of millions of people to make a decisive break with the past."

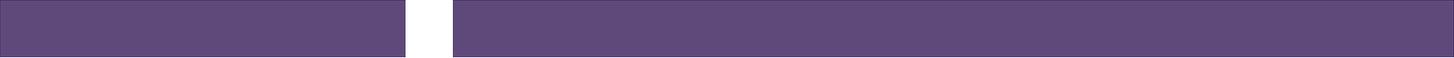
James Meadway, Chief Economist, nef 2013

The future – social enterprise vision to 2020

- Boundaries blur between government, investors and funders
- Governments will contract rather than deliver services
- Increase in social enterprises (trading for a social purpose and reinvesting profits)
- Higher standards of proof of a social return on investment – deliver greatest social impact for least input
- Increased competition from corporate sector, bodies that can invest
- Social finance will become mainstream
- Comparable, usable social impact reporting

To leave you
with...

**What kind of economy do
you want in New Zealand
and what are the principles
upon which you want to
have it?**



Thank you for listening

www.neweconomics.org
www.nef-consulting.co.uk